

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

2017 Second Round

September 20, 2017

The Beacon Apartments, located at 1425 C Street in San Diego, requested and is being recommended for a reservation of \$1,067,294 in annual federal tax credits to finance the new construction of 43 units of housing serving special needs tenants with rents affordable to households earning 30-50% of area median income (AMI). The project will be developed by Wakeland Housing and Development Corporation and will be located in Senate District 39 and Assembly District 78.

The project will be receiving rental assistance in the form of HUD Section 8 Project-based Vouchers. The project financing includes state funding from the Special Needs Housing Program (SNHP) through CalHFA.

Project Number CA-17-135

Project Name The Beacon Apartments

Site Address: 1425 C Street

San Diego, CA 92101 County: San Diego

Census Tract: 52.000

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$1,067,294	\$0
Recommended:	\$1,067,294	\$0

Applicant Information

Applicant: Wakeland Beacon Apartments LP

Contact: Kenneth L. Sauder

Address: 1230 Columbia Street, Suite 950
San Diego, CA 92101

Phone: 619-677-2320 Fax: 619-235-5386

Email: ksauder@wakelandhdc.com

General Partner(s) / Principal Owner(s):	Wakeland Beacon LLC
General Partner Type:	Nonprofit
Parent Company(ies):	Wakeland Housing and Development Corporation
Developer:	Wakeland Housing and Development Corporation
Investor/Consultant:	Union Bank
Management Agent(s):	FPI Management, Inc.

Project Information

Construction Type: New Construction
 Total # Residential Buildings: 1
 Total # of Units: 44
 No. & % of Tax Credit Units: 43 100%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: HOME / HUD Section 8 Project-Based Vouchers (43 Units - 100%)
 Average Targeted Affordability of Special Needs/SRO Project Units: 38.60%
 Affordability Breakdown by Units and % (Lowest Income Points):
 30% AMI: 22 50 %
 45% AMI: 10 20 %
 50% AMI: 11 25 %

Information

Set-Aside: Nonprofit (homeless assistance)
 Housing Type: Special Needs
 Type of Special Needs: Homeless/formerly homeless and persons with physical, mental, development disabilities
 % of Special Need Units 43 units 100%
 Geographic Area: San Diego County
 TCAC Project Analyst: Diane SooHoo

Unit Mix

43 SRO/Studio Units
 1 1-Bedroom Units

 44 Total Units

Unit Type & Number	2017 Rents Targeted % of Area Median Income	2017 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
22 SRO/Studio	30%	30%	\$477
10 SRO/Studio	45%	45%	\$716
11 SRO/Studio	50%	50%	\$796
1 1 Bedroom	Manager's Unit	Manager's Unit	\$0

Projected Lifetime Rent Benefit: \$27,792,600

Project Cost Summary at Application

Land and Acquisition	\$2,222,680
Construction Costs	\$9,642,699
Rehabilitation Costs	\$0
Construction Contingency	\$482,135
Relocation	\$0
Architectural/Engineering	\$875,000
Const. Interest, Perm. Financing	\$1,237,391
Legal Fees, Appraisals	\$50,000
Reserves	\$2,945,002
Other Costs	\$2,043,268
Developer Fee	\$1,400,000
Commercial Costs	\$0
Total	\$20,898,175

Project Financing

Estimated Total Project Cost:	\$20,898,175
Estimated Residential Project Cost:	\$20,898,175
Estimated Commercial Project Cost:	\$0

Residential

Construction Cost Per Square Foot:	\$376
Per Unit Cost:	\$474,959
True Cash Per Unit Cost*:	\$431,860

Construction Financing

Source	Amount
Union Bank Construction Loan	\$7,934,784
Land Donation	\$1,800,000
City Fee Waiver	\$96,320
CalHFA SNHP Loan	\$2,895,046
Accrued / Deferred Interest	\$94,885
SDHC Loan	\$3,040,000
Accrued / Deferred Interest	\$99,636
SDHC Loan - Assumed	\$363,404
Accrued / Deferred Interest	\$11,911
Costs Deferred Until Conversion	\$3,645,002
Tax Credit Equity	\$917,187

Permanent Financing

Source	Amount
Union Bank Tranche B	\$1,815,100
Land Donation	\$1,800,000
City Fee Waiver	\$96,320
CalHFA SNHP Loan	\$2,895,046
Accrued / Deferred Interest	\$94,885
SDHC Loan	\$3,200,000
Accrued / Deferred Interest	\$99,636
SDHC Loan - Assumed	\$363,404
Accrued / Deferred Interest	\$11,911
Tax Credit Equity	\$10,521,873
TOTAL	\$20,898,175

*Less Donated Land, Fee Waivers, Seller Carryback Loans, and Deferred Developer Fee

Determination of Credit Amount(s)

Requested Eligible Basis:	\$9,122,172
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$11,858,824
Applicable Rate:	9.00%
Total Maximum Annual Federal Credit:	\$1,067,294
Approved Developer Fee (in Project Cost & Eligible Basis)	\$1,400,000
Investor/Consultant:	Union Bank
Federal Tax Credit Factor:	\$0.98585

Per Regulation Section 10327(c)(6), the “as if vacant” land value and the existing improvement value established at application, as well as the eligible basis amount derived from those values, will be used during all subsequent reviews including the placed in service review, for the purpose of determining the final award of Tax Credits.

Per Regulation Section 10327(c)(2)(C), once established at the initial funded application, the developer fee cannot be increased, but may be decreased, in the event of a modification in basis, except that the adjustment factor related to costs described in Section 10327(c)(2)(A) shall be recalculated at placed in service where applicable.

Eligible Basis and Basis Limit

Requested Unadjusted Eligible Basis:	\$9,122,172
Actual Eligible Basis:	\$14,798,746
Unadjusted Threshold Basis Limit:	\$8,025,380
Total Adjusted Threshold Basis Limit:	\$11,850,466

Adjustments to Basis Limit

Required to Pay State or Federal Prevailing Wages/Financed by labor-affiliated organization employing construction workers paid at least state or federal prevailing wages

Parking Beneath Residential Units or On-Site Parking Structure of Two or More Levels

100% of Units for Special Needs Population

Local Development Impact Fees

95% of Upper Floor Units are Elevator-Serviced

Tie-Breaker Information

First:	Special Needs
Final:	66.560%

Cost Analysis and Line Item Review

Staff analysis of project costs to determine reasonableness found all fees to be within TCAC's underwriting guidelines and TCAC limitations. Annual operating expenses exceed the minimum operating expenses established in the Regulations, and the project pro forma shows a positive cash flow from year one. Staff has calculated federal tax credits based on 9.0% of the qualified basis, or, in the case of acquisition credit or credit combined with federal subsidies, 3.23%. Applicants are cautioned to consider the expected federal rate when negotiating with investors. TCAC's financial evaluation at project completion will determine the final allocation.

Special Issues/Other Significant Information

The proposed rent does not include a utility allowance. The owner will pay for all utilities.

The applicant requested and has been granted a waiver in the 15 year cash flow projection to use the standard vacancy rate of 5% instead of the special needs housing type vacancy rate of 10% for pro-forma purposes. Pursuant to Section 10325(g)(3)(I) of TCAC Regulations, the proposed rental assistance for all 43 low income units justifies the lower vacancy rate.

Legal Status

Staff has reviewed the Applicant's responses to the questions contained in the Legal Status portion of the Application. No information was disclosed that raised any question regarding the financial viability or legal integrity of the applicant.

Local Reviewing Agency

The Local Reviewing Agency, San Diego Housing Commission, has completed a site review of this project and strongly supports this project.

Recommendation

Staff recommends that the Committee make a preliminary reservation of tax credits in the following amount(s) contingent upon standard conditions and any additional conditions imposed by the Committee:

Federal Tax Credits/Annual
\$1,067,294

State Tax Credits/Total
\$0

Standard Conditions

The applicant must submit all documentation required for a Carryover Allocation and any Readiness to Proceed Requirements elected. Failure to provide the documentation at the time required may result in rescission of the Credit reservation and cancellation of a carryover allocation.

TCAC makes the preliminary reservation only for the project specified above in the form presented, and involving the parties referred to in the application. No changes in the development team or the project as presented will be permitted without the express approval of TCAC.

The applicant must pay TCAC a performance deposit and allocation fee calculated in accordance with regulation. Additionally, TCAC requires the project owner to pay a monitoring fee before issuance of tax forms.

As project costs are preliminary estimates only, staff recommends that a reservation be made in the amount of federal credit and state credit shown above on condition that the final project costs be supported by itemized lender approved costs and certified costs after the buildings are placed in service.

All unexpended funds in reserve accounts established for the project must remain with the project to be used for the benefit of the property and/or its residents, except for the portion of any accounts funded with deferred developer fees.

All fees charged to the project must be within TCAC limitations. Fees in excess of these limitations will not be considered when determining the amount of credit when the project is placed-in-service.

The applicant/owner shall be subject to underwriting criteria set forth in Section 10327 of the regulations through the final feasibility analysis performed by TCAC at placed-in-service.

Credit awards are contingent upon applicant's acceptance of any revised total project cost, qualified basis and tax credit amount determined by TCAC in its final feasibility analysis.

The applicant must ensure the project meets all Additional Threshold Requirements of the proposed project. If points were awarded for service amenities, the applicant will be required to provide such amenity or amenities identified in the application, for a minimum period of fifteen years and at no cost to the tenants. Applicants that received points for sustainable building methods (energy efficiency) must submit the certification required by Section 10325(c)(6) at project completion. Applicants that received increases (exceptions to limits) in the threshold basis limit under Section 10327(c)(5) must submit the certification required by Section 10322(i)(2) at project completion.

Additional Conditions: None.

Points System	Max. Possible Points	Requested Points	Points Awarded
Cost Efficiency / Credit Reduction / Public Funds	20	20	20
Public Funds	20	20	20
Owner / Management Characteristics	9	9	9
General Partner Experience	6	6	6
Management Experience	3	3	3
Housing Needs	10	10	10
Site Amenities	15	15	15
Within ¼ mile of transit, service every 30 min, 25 units/acre density	7	7	7
Within ½ mile of public park or community center open to general public	3	3	3
Within 1 mile of public library	2	2	2
Within ½ mile of a full-scale grocery/supermarket of at least 25,000 sf	5	5	5
Special Needs/SRO project within 1 mile of facility serving tenant pop.	2	2	0
Within ½ mile of a pharmacy	2	2	2
Service Amenities	10	10	10
SPECIAL NEEDS AND SRO HOUSING TYPES			
Case Manager, minimum ratio of 1 FTE to 100 bedrooms	5	5	5
Adult ed/health & wellness/skill bldg classes, min. 84 hrs/yr instruction	5	5	5
Sustainable Building Methods	5	5	5
NEW CONSTRUCTION			
Develop project in accordance w/ requirements of: GreenPoint Rated Program	5	5	5
Lowest Income	52	52	52
Basic Targeting	50	50	50
Deeper Targeting – at least 10% of units @ 30% AMI or less	2	2	2
Readiness to Proceed	15	15	15
Miscellaneous Federal and State Policies	2	2	2
State Credit Substitution	2	2	2
Total Points	138	138	138

Please Note: If more than the maximum Site Amenity points were requested, not all amenities may have been scored and/or verified.

DO NOT RELY ON SCORING IN THIS COMPETITIVE CYCLE FOR FUTURE APPLICATIONS. ALL RE-APPLICATIONS ARE REVIEWED WITHOUT RELIANCE ON PAST SCORING.